

Message Text

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PAGE 01 EC BRU 09233 211805Z

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SUBJECT: EC FINANCE COUNCIL SEPTEMBER 20, 1976: HIGHLIGHTS

REF: EC BRUSSELS 9089

1. SUMMARY: DURING A MONE-HOUR COUNCIL MEETING ON SEPTEMBER 20, THE EC FINANCE MINISTERS: (1) BRIEFLY REVIEWED THE COMMUNITY'S GENERAL ECONOMIC SITUATION; (2) DISCUSSED PREPARATIONS FOR THE MANILA IMF MEETING; (3) APPROVED THE CONSOLIDATION INTO FIXED RATE FROM VARIABLE RATE FORM OF A \$100 MILLION PORTION OF THE COMMUNITY'S BORROWING ON BEHALF OF ITALY AND IRELAND; AND (4) APPROVED THE SCHEDULE OF FURTHER FINANCE COUNCIL MEETINGS DURING 1976. END SUMMARY.

2. ECONOMIC SITUATION-THE MINISTERS REVIEWED A COMMISSION REPORT ON THE COMMUNITY'S GENERAL ECONOMIC SITUATION AND THEN PROCEEDED TO DISCUSSION ON NATIONAL ECONOMIC SITUATIONS. ACCORDING TO COUNCIL AND PERMDEL SOURCES, THE ITALIAN, FRENCH, DANISH AND DUTCH MINISTERS WERE THE ONLY SPEAKERS; THEIR PRESENTATIONS WERE DESCRIBED AS VERY GENERAL, THOUGH ESSENTIALLY POSITIVE IN TONE. FRENCH DEPUTY
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PAGE 02 EC BRU 09233 211805Z

FINANCE MINISTER DURAFOR REPORTEDLY GAVE A BRIEF

PREVIEW OF THE FRENCH ECONOMIC PROGRAM TO BE
ANNOUNCED THIS WEEK.

3. IMF PREPARATIONS-THE MINISTERS AGREED ON THE
BASIC ELEMENTS OF THE SPEECH TO BE DELIVERED AT THE
MANILA IMF MEETING BY THE COUNCIL PRESIDENT, DUTCH
FINANCE MINISTER DUISENBERG. ACCORDING TO A COUNCIL
SOURCE, DUISENBERG HAS BEEN GIVEN AUTHORITY TO PUT
THE ONE-PAGE DRAFT OUTLINE OF THE SPEECH INTO FINAL
FORM WITHOUT FURTHER REFERENCE TO THE COUNCIL. AT
HIS POST-MEETING PRESS CONFERENCE, DUISENBERG STATED
THAT THE EC POSITION AT THE IMF WOULD STRESS:
SUPPORT OF POLICIES DIRECTED AT ECONOMIC RECOVERY;
EC JUDGMENT THAT INTERNATIONAL LIQUIDITY IS CURRENTLY
SUFFICIENT, AND THAT NO MORE NEEDS TO BE CREATED;
BELIEF THAT, WITH THE SLATED IMF QUOTA INCREASE, IMF
LIQUIDITY WILL BE ADEQUATE, WITH THE GENERAL AGREE-
MENTS TO BORROW AS A FALLBACK IN CASE OF MAJOR
COUNTRY DRAWING. THE EC WILL SUPPORT STRENGTHENED
IMF SURVEILLANCE OVER EXCHANGE RATES AND EFFORTS
TO ACHIEVE GREATER CONVEERGENCE IN ECONOMIC POLICIES
SO AS TO FACILITATE EXCHANGE RATE STABILITY.

4. COMMUNITY BORROWING FOR TIALY AND IRELAND-THE
COUNCIL FORMALLY AUTHORIZED THE COMMISSION TO PLACE A
\$100 MILLION COMMUNITY ISSUE ON THE NEW YORK MARKET,
THE PROCEEDS OF WHICH WILL BE USED TO CONSOLIDATE
\$100 MILLION OF THE VARIABLE INTEREST PORTION OF THE
\$1.3 BILLION EC BORROWING ON BEHALF OF ITALY AND
IRELAND.

5. GOLD AUCTIONS-UK CHANCELLOR OF THE DUCHY OF
LANCASTER HAROLD LEVER TOLD THE PRESS THAT THE SUB-
JECT OF GOLD WAS NOT MENTIONED IN THE COUNCIL MEETING
(ALTHOUGH IT MAY HAVE COME UP IN THE PRIVATE LUNCH
THAT FOLLOWED). HOWEVER, DUISENBERG TOOK THE OPPOR-
TUNITY IN TALKS WITH JOURNALISTS AFTER THE COUNCIL
TO REITERATE THE MONETARY COMMITTEE'S AGREEMENT TO
SUPPORT "MORE FLEXIBILITY" IN THE IMF AUCTIONS. ACCORDING TO THE
REUTER'S CORRESPONDENT, DUISENBERG DECLARED: "BY FLEXIBILITY WE MEAN
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PAGE 03 EC BRU 09233 211805Z

FLEXIBILITY MAINLY ON THE AMOUNT OF GOLD OFFERED." IN
SEPARATE COMMENTS AFTER THE COUNCIL, LEVER AND FRG
FINANCE MINISTER HANS APEL CAUTIONED THAT IN SEEKING
FLEXIBILITY, THEIR GOVERNMENTS FAVORED MAINTAINING
THE BASIC IMF AGREEMENT OF SELLING 25 MILLION OUNCES
IN FOUR YEARS.

6. COUNCIL SCHEDULE-THE FINANCE COUNCIL WILL HOLD

MEETINGS DEVOTED TO FISCAL AFFAIRS, SPECIFICALLY
SIX PROPOSED GUIDELINES ON THE VAT FROM THE COMMISSION,
ON OCTOBER 21 AND AGAIN IN DECEMBER. IN ORDER TO
ALLOW ENOUGH TIME FOR THE ECONOMIC POLICY AND MONETARY
COMMITTEES TO FINALIZE REPORTS ON EXCHANGE RATES,
THE FINANCE COUNCIL WILL DELAY DISCUSSION OF THAT
TOPIC UNTIL A SPECIAL MEETING ON NOVEMBER 8. MORRIS

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